



**MINUTES**  
**Economic Development Authority**  
**July 21, 2020**

**CALL TO ORDER**

The Economic Development Authority meeting was called to order at 5:30 pm.

**Present:** Chair: Jahn Dyvik; Board: Michelle Jerde, Tim Hultmann, Tom Skjaret, Deirdre Kvale, and Charlie Miner

*Due to the COVID-19 health pandemic, the Economic Development Authority attended this meeting telephonically pursuant to Minn. Statute 13D.021.*

**Staff Present:** City Administrator/Executive Director: Scott Weske (in person)

**Absent:** Board: Lori Goodsell (with prior notice)

**PLEDGE OF ALLEGIANCE**

**APPROVE AGENDA**

*A motion was made by Miner, seconded by Kvale, to approve the agenda. Ayes: all by roll call.*

**CONSENT AGENDA**

A. Approve Minutes of May 19, 2020 Economic Development Authority Meeting

*A motion was made by Miner, seconded by Skjaret, to approve the minutes of the May 19, 2020 EDA meeting. Ayes: all by roll call.*

**OPEN CORRESPONDENCE**

Dan Creer, 545 Virginia Avenue, stated that he would like answers regarding when the contingencies that are in place on the properties will be removed. He stated that he would also like to know if the contingencies are removed, by what date will purchases be completed. He asked how the upcoming election could affect the Council and the EDA, and asked who will be staying and who will be leaving. He noted that he is concerned about that because every time positions rotate there is a new group of people that come in who have to be brought up to speed.

Chair Dyvik stated that the seats held by Council members Jerde and Skjaret and Mayor Miner's seat are up for re-election. He explained that he and Council member Kvale will be on Council for another two years in their current terms. He explained that the EDA is currently made up of the five Council members and two appointed, at-large members. He indicated that the other questions will be addressed during the agenda item related to the Virginia Avenue projects with Ben Landhauser.

Sue Hutchings, Virginia Avenue stated that she would echo Mr. Creer's comments and would like to have a date because she hates living in limbo.

## **BUSINESS ITEMS**

### **Receive and Discuss Memo from Lifestyle Communities Regarding Virginia Avenue Redevelopment – Progress Update**

Chair Dyvik noted that the EDA had not met in the month of June, but did get an update memo from Ben Landhauser. He asked if that was also distributed to the interested parties or just the EDA.

Scott Weske, Executive Director, stated that he wasn't sure if he had sent it to the interested parties since it was already about a month ago.

Board member Miner noted that he had forwarded it to Mike Halley and he believes that Mr. Halley had distributed it to all the Virginia Avenue property owners.

Chair Dyvik stated that there is an update to the memo sent in June. He asked Ben Landhauser to summarize and review the memo.

Ben Landhauser, Lifestyle Communities, indicated that the brunt of the work over the last month has been on site, having the TIF inspections completed on five of the properties along Virginia Avenue. He stated that he doesn't have the results of those inspections yet, but it sounds like the worst-case scenario timeframe for those to be released is the middle of August. He added that the feedback he received from the inspector on site was pretty good and they were pretty confident on a number of the properties that they would qualify per the TIF terminology of being substandard thereby qualifying as a redevelopment TIF district.

Chair Dyvik asked how many homes would need to be deemed substandard.

Mr. Landhauser stated it would need to be 50% of the total structures included in the TIF district, which doesn't include garages for single family homes. He explained that his why they did five of the homes because there are nine total homes along Virginia Avenue.

Chair Dyvik asked what information the EDA would have for their August meeting.

Mr. Landhauser stated that they will have detailed plans including grading plans and will have all of the building footprints dialed into the site as well as more refined architectural plans. He stated that from their standpoint, everything is going really well with this process. He explained that COVID-19 has meant a few hiccups and adjustments to holding more remote meetings that aren't always as productive as doing things in person, but reiterated that he still feels things are moving along pretty quickly.

Chair Dyvik asked for an overview of the estimated schedule moving forward.

Mr. Landhauser stated that he feels the proposed schedule still looks like it is in good shape. He noted that he expects the formalized first round approvals from the City to come in September and noted that the earliest they could close on the City's property is in October. He stated that then they would acquire the remaining properties between October 2020 and April 2021. He stated that through conversations with the property owners during the TIF inspections about when people would like to move, it appears as though targeting the spring of 2021 will be the most amenable for most parties. He indicated that the expectation is that through the winter months they would get the TIF district noticed to the appropriate entities. He stated that to answer the question from Mr. Creer about when the contingencies run out, he would say knowing some of the publication dates for establishing the TIF district, the contingencies would probably be removed around February 28, 2021. He stated that then closing would be 45-60 days after that, which would be around mid-April, 2021.

Chair Dyvik asked if any of the properties would be acquired before the contingencies were removed on the remaining properties. He noted that the schedule outlines acquisition of properties between October 2020 and April of 2021 which implies that some of the properties will be purchased sooner.

Mr. Landhauser stated that it depends on where the different property owners are in terms of their ability to move out. He stated that from their standpoint, they would like to have acquisitions line up on the same date or at least in the same timeframe.

Chair Dyvik asked about when construction is planned to begin.

Mr. Landhauser stated that is scheduled to begin in May of 2021 and for the entire project to be completed by May of 2022.

Chair Dyvik reiterated that the plan is to release contingencies by the end of February and close in April. He noted that Mike Halley has requested that all properties be acquired at the same time and asked what the EDA thought about that idea. He stated that he believes the concern was that Lifestyle Communities would buy the City property and then back out of buying the private properties along Virginia Avenue and move forward with a different project.

City Attorney Thames stated that he spoke with Mr. Landhauser about the timelines. He commented that based on the date of execution, what they are looking at for a development agreement timeline is 120 days from execution which puts that at the very beginning of September. He stated that because of what Mr. Landhauser had just shared and the concern expressed by Mr. Halley, his recommendation is to bring forward a brief Purchase Agreement Amendment in August just to adjust the Development Agreement review timeline by 60 days. He noted that this would not adjust the overall project timeline. He stated that he can bring this amendment to the August EDA meeting.

Chair Dyvik asked if he felt it was unlikely that the City property would close in October.

City Attorney Thames stated that he doesn't necessarily think that, but this will give the City maximum flexibility and the EDA won't have to rush through the agreement.

Board member Skjaret asked about the comment Chair Dyvik made regarding purchasing all the properties at the same time.

Chair Dyvik noted that he was just relaying the request from Mike Halley on behalf of the property owners that all of the properties be acquired at the same time. He clarified that it was not his request.

Board member Skjaret asked what the risk would be if Lifestyle Communities acquires the property before the TIF district is established.

Mr. Landhauser stated that City Attorney Thames did a good job in the purchase agreement having a clause saying that the City has a claw-back ability that if Lifestyle Communities does not perform on the entirety of the project that was promised, the City has the ability to come back and take the property after it had been transferred to Lifestyle Communities if they aren't living up to the full scope of the project.

Chair Dyvik stated that he would like to see the City property closed in October or November of 2020 with the language in the agreement that ensures the rest of the project will move forward as planned.

Mike Halley stated that there are seven property owners on Virginia Avenue and in his conversations with them, they have all thought about when they will close and there seems to be a bit of a competition about who can close first. He stated that he had a very constructive conversation with

Mr. Landhauser and Mr. Nichols this afternoon and agreed on a contingency deadline at the end of February and closing in mid-April. He stated that his plan is to relay this information to each individual owner so everyone is all on the same page.

Board member Miner stated that he supports Chair Dyvik's suggestion to close on the City property this fall.

Board member Kvale asked if the development agreement was to be pushed back 60 days.

Chair Dyvik stated that he believes the proposal is for the EDA to vote on that at their August meeting.

City Attorney Thames clarified that pushing back the development agreement for 60 days does not move back the due diligence period.

Chair Dyvik asked if any of the project concepts in the packet were different than what had been previously presented. He noted that there were two concepts shown depending on whether Lifestyle Communities is able to acquire the last property and asked if there had been any change in that situation.

Mr. Landhauser stated that he is continuing to have a working dialogue with that individual and thinks that the owner is not 100% committed to sell in the same time frame as the rest of the other Virginia Avenue property owners, but they are open to participating and being included in the overall development planning. He reviewed some of the potential changes from what was originally proposed and noted that he will be prepared next month to walk through this in greater detail.

Chair Dyvik stated that he likes the island filtration area that is proposed because it provides guest parking and looks more attractive. He stated that there was discussion in the past about how close the buildings were pushed to the curb and Lifestyle Communities responded that was because it was required through the PUD. He asked if the EDA would like to have the buildings pushed a bit further back from the curb a bit more.

Mr. Landhauser stated that they will be getting into more detailed site planning and having separation from the buildings to the main thoroughfares will be important. He stated that they will either try to move the buildings as far as way as possible from the curb, or make sure there is adequate landscape buffering.

Chair Dyvik stated that one thing that stuck with him from another candidate interested in this property was that on the other corners the developments are pushed way back so he would like the City to come up with a compromise in this situation as well.

Board member Hultmann asked about the process for Symes Street and how they were proceeding with that property and the 11 townhouses.

Mr. Landhauser stated that, at this point in time, they are not moving forward with that project. He stated that about the time everything shut down with COVID-19, their building partner on that project wasn't comfortable moving forward. He indicated that they had reached out to the two property owners and only one of them was willing to work with them on an extension. He added that they had also reached out to a different builder and noted that they are evaluating the property right now and considering coming to the City with a slightly different project.

Board member Miner asked if there was any update on the former Burger King site.

Mr. Landhauser stated that they have digitized their entire approach to sales for that building and are set to do a full launch of marketing with virtual tours soon. He stated that there are already about 105 people that have already asked to be on a list that have interest in the cooperative model. He stated that if there was time, he could show one of their 3D video virtual tours for one of their other properties.

Board member Miner noted that Chair Dyvik's battery had died so he has dropped out of the meeting.

Mr. Landhauser showed the 3D virtual tour video for their current project under construction in Duluth.

Chair Dyvik rejoined the EDA meeting.

#### **OTHER BUSINESS**

None.

#### **ADJOURN**

*Hearing no objection, Chair Dyvik adjourned by general consent at 6:27 pm.*

Respectfully submitted,  
Scott Weske, Executive Director